

ORDER NO. 6094

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;
Ann C. Fisher, Vice Chairman;
Mark Acton;
Ashley E. Poling; and
Robert G. Taub

Competitive Products
International Ancillary Services

Docket No. MC2022-37

Competitive Products
Inbound International Tracked Delivery Service
(MC2022-37)

Docket No. CP2022-44

ORDER ADDING INBOUND INTERNATIONAL TRACKED DELIVERY SERVICE TO
THE COMPETITIVE PRODUCT LIST AS A CATEGORY WITHIN INTERNATIONAL
ANCILLARY SERVICES

(Issued January 20, 2022)

I. INTRODUCTION

The Postal Service seeks to add a new service identified as Inbound International Tracked Delivery Service (IITDS) to the competitive product list as a category within the competitive International Ancillary Services product.¹ For the reasons discussed below, the Commission approves the Request.

¹ Request of USPS to Add Inbound International Tracked Delivery Service to the Competitive Product List, Notice of Establishment of Classifications and Rates Not of General Applicability, and Application for Non-Public Treatment of Materials, January 7, 2022, at 1, 3, Attachment 4 (Request).

II. BACKGROUND

On January 7, 2022, in accordance with 39 U.S.C. § 3642 and 39 C.F.R. §§ 3040.130-.135, the Postal Service filed the Request along with associated supporting information. Request at 1. The Postal Service also gave notice pursuant to 39 U.S.C. § 3632(b)(3) and 39 C.F.R. § 3035.105 that the Governors established classifications and rates not of general applicability for IITDS. *Id.* To support its Request, the Postal Service filed a copy of the applicable Governors' Decision, proposed changes to the Mail Classification Schedule, a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. § 3633(a), and an application for non-public treatment of certain materials. *Id.* at 1-2. It also filed supporting financial workpapers. *Id.* at 2.

The Postal Service seeks to add IITDS to the competitive product list as a category within the competitive International Ancillary Services product. *Id.* at 3, Attachment 4. IITDS is a supplementary service that provides tracking for international letter post items and may be offered by foreign postal operators as an option to customers mailing international letter post items to the United States. See Request at 3. International letter post items mailed to the United States using IITDS' tracked service will be classified as Inbound Letter Post Small Packets and Bulky Letters, which is a competitive product. *Id.*

The prices for IITDS are fixed by the Universal Postal Union (UPU) and will be set at 0.4 Special Drawing Rights (SDR) per item for the provision of inbound tracked delivery services, with up to an additional 0.75 SDR per item on the basis of performance of electronic transmission of tracking information. *Id.* The Postal Service states that IITDS provides foreign postal operators UPU default rates for the tracked service and that IITDS' inclusion on the competitive product list would not preclude the Postal Service from exchanging tracked items with foreign postal operators pursuant to negotiated rates set forth in multilateral or bilateral agreements. *Id.* at 3-4. The Postal Service intends for the new service and rates to take effect on April 1, 2022. *Id.* at 4.

On January 10, 2022, the Commission issued a notice establishing the two dockets, appointing a Public Representative, and providing interested persons with an opportunity to comment.²

III. COMMENTS

The Public Representative filed comments on January 14, 2022.³ No other interested person filed comments. The Public Representative concludes that IITDS meets the requirements to be classified as a competitive international ancillary service, and that IITDS should generate sufficient revenues to cover its costs. PR Comments at 2. He characterizes as reasonable the Postal Service's assertions regarding the classification of IITDS as competitive. *Id.* He also notes that because IITDS should generate sufficient revenues to cover costs, IITDS should meet the requirements of 39 U.S.C. § 3633(a). *Id.* at 3.

IV. COMMISSION ANALYSIS

The Commission has reviewed the Request, the associated supporting information, the supporting data filed under seal, and the Public Representative's comments.

Product list requirements. The Commission's statutory responsibilities when evaluating the Request include assigning IITDS to either the market dominant or competitive product list. See 39 U.S.C. § 3642(b)(1); 39 C.F.R. § 3040.134. Before adding IITDS to the competitive product list as a category within the competitive International Ancillary Services product, the Commission must determine that the Postal

² Notice and Order Concerning the Addition of Inbound International Tracked Delivery Service to the Competitive Product List, January 10, 2022 (Order No. 6089).

³ Public Representative Comments on Postal Service Request to Add Inbound International Tracked Delivery Service to the Competitive Products List, and Notice of Establishment of Classifications and Rates Not of General Applicability, January 14, 2022 (PR Comments).

Service does not exercise sufficient market power that it can effectively set the price of the service substantially above costs, raise prices significantly, decrease quality, or decrease output, without the risk of losing a significant level of business to other firms offering similar services. See 39 U.S.C. § 3642(b)(1). In addition, the Commission must consider the availability and nature of private sector enterprises engaged in delivering the product, the views of those who use the product, and the likely impact on small business concerns. See *id.* § 3642(b)(3); 39 C.F.R. §§ 3040.132(f), (g), and (h).

To support its proposed classification of IITDS as competitive, the Postal Service asserts that IITDS is a service that is only available in conjunction with an existing product, Inbound Letter Post Small Packets and Bulky Letters, which is on the competitive product list. Request, Attachment 2 at 2, 4-5. As a result, the tracking services IITDS provides are only available ancillary to a product that is competitive. *Id.* The Postal Service further asserts that the classification of IITDS as competitive is appropriate because payment for IITDS is made by foreign postal operators “by operation of international agreement.” *Id.* at 4. It represents that the price points are established by the UPU and “establish limits between which the Postal Service’s own default rates must remain.” *Id.*

The Postal Service states that “[t]racking today is an important feature to be able to offer customers and to compete with alternative service providers, particularly as e-commerce continues to expand.” *Id.* at 2. With regard to the availability and nature of private sector enterprises offering similar services, the Postal Service states that “[t]racked delivery service is an increasingly ubiquitous feature of mailing...in both the international and domestic spheres” and that the market includes competitors that offer similar services. *Id.* at 5.

With regard to the views of users, the Postal Service asserts that one of the dominant trends in e-commerce is the expectation of a tracking service although it also notes that foreign postal operators are not obligated to offer tracking if they choose not to. *Id.* at 6. With regard to small business concerns, the Postal Service states that

classifying IITDS as competitive is unlikely to have a negative impact on small business concerns and that “U.S. consumers, including U.S. small businesses that may order goods from abroad, will receive the benefit of tracked shipping.” *Id.* The Postal Service concludes that mailers and customers expect that shipments will be tracked and that the addition of IITDS as an ancillary service is important “to remain competitive.” *Id.*

The Commission finds that the Postal Service does not exercise sufficient market power that it can effectively set the price of IITDS substantially above costs, raise prices significantly, decrease quality, or decrease output, without the risk of losing a significant level of business to other firms offering similar products. Although not dispositive, no commenters have identified any issue concerning the Postal Service’s market power as it relates to the market for tracking services. Further, the Commission, in its review, notes a lack of any data or information that would suggest the Postal Service exercises market power over tracking services. The Commission accepts as reasonable the Postal Service’s representation that there is widespread availability of tracking services by other providers. *Id.* at 5. The Commission also notes that IITDS will only be offered in conjunction with a product that is classified as competitive. *Id.* at 2, 4-5.

Further, based on the record before it, the Commission concludes that the Postal Service adequately addressed the impact on private sector competitors, customers, and small business concerns and that its representations regarding IITDS’ likely impacts are reasonable. *Id.* at 5-6. Customers and small businesses likely will benefit from expanded tracking options, and no commenters have raised concerns regarding IITDS’ likely impacts. For these reasons, having considered the relevant statutory and regulatory requirements, the comments filed, and the Postal Service’s supporting justification, the Commission finds that IITDS is appropriately classified as competitive and should be added to the competitive product list as a category within the competitive International Ancillary Services product.

Cost considerations. Because the Commission finds IITDS is competitive, the Commission must review the planned prices in accordance with the criteria in 39 U.S.C.

§ 3633(a). Pursuant to 39 U.S.C. § 3633(a), the Commission reviews each competitive product to ensure that it covers its attributable costs, does not cause market dominant products to subsidize competitive products as a whole, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3035.105 and 3035.107. As long as the revenue generated by a product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, a product that covers its attributable costs is likely to comply with 39 U.S.C. § 3633(a).

The Commission has reviewed the Request, the supporting financial analyses provided under seal, and the Public Representative's comments. Based on this review, the Commission finds that IITDS should cover its attributable costs. Thus, the Commission finds that the prices presented in the Request should not lead to the subsidization of competitive products by market dominant products; should cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Accordingly, the planned rates for IITDS satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3035.107.

In conclusion, the Commission approves the addition of IITDS to the competitive International Ancillary Services product. The Postal Service states that the availability of IITDS and the related prices will take effect on April 1, 2022. Request at 4. Revisions to the Mail Classification Schedule appear below the signature of this Order and are effective April 1, 2022.

V. ORDERING PARAGRAPHS

It is ordered:

1. Inbound International Tracked Delivery Service is added to the competitive product list as a category within the competitive International Ancillary Services product. Revisions to the Mail Classification Schedule appear below the signature of this Order and are effective April 1, 2022.
2. The Commission acknowledges the planned prices for Inbound International Tracked Delivery Service.

By the Commission.

Jennie L. Jbara
Alternate Certifying Officer

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

2340 Inbound Letter Post Small Packets and Bulky Letters

2340.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- International Ancillary Services (2615)
 - Competitive International Registered Mail (2615.2)
 - Inbound International Tracked Delivery Service (2615.4)
 - Customs Clearance and Delivery Fee (2615.6)

2615 International Ancillary Services

2615.4 Inbound International Tracked Delivery Service

2615.4.1 Description

Inbound International Tracked Delivery Service provides an ancillary inbound tracking service for Inbound Letter Post Small Packets and Bulky Letters.

2615.4.2 Prices

Inbound International Tracked Delivery Service

Payment is made in the form of remuneration paid by foreign postal operators under applicable international agreements.
